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SUBJECT: GREEK DEVELOPMENT AID TO THE BALKANS: BUSINESS AS USUAL
DESPITE IMPACT OF FINANCIAL CRISIS

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SUMMARY

1. (U) Since 2001, Greece has given a consistent level of assistance to the Balkans, albeit not up to the level one might expect from a country with such regional leadership potential. In 2007, Greece programmed 83.3 million euro of official direct assistance (ODA) for development in the Balkans. This and previous assistance was geared towards technical cooperation (equipment, scholarships, training) and large scale capital investments in infrastructure and construction.

2. (U) Given Greeces worsening budget realities and EU pressure to increase development assistance to poor countries in Africa, it does not appear that Greece is poised to increase its assistance to the region. Nor does it appear that the government is considering a strategic re-think to ensure its dwindling development resources in the Balkans are allocated towards high-impact sectors or projects that can help mitigate the effects of the financial crisis on countries in its neighborhood. Rather, it is business as usual for Greece as it doles out its development assistance. This, coupled with Greeces outdated aid system, will challenge Greeces ability to strategically introduce aid to help relieve worsening economic conditions in the Balkans as the financial crisis there deepens. It could also hamper Greeces ability to strengthen its leadership role in the region.

3. (U) Nonetheless, development cooperation under the auspices of the U.S.-Greek Economic and Commercial Cooperation Commission (ECCC) continues to move forward at a steady pace (see reftel A), and the GoG has indicated a willingness to expand cooperation to other regions and sectors (see reftel B). In the renewable energy/energy efficiency (RE/EE) arena, the U.S. and Greece have undertaken assessment missions and presented stocktaking reports to all countries included under the MOU in order to help define projects for collaboration in these countries. Under the tourism MOU, the GoG has agreed to participate in a USAID contract to help improve competitiveness in Albanias tourism sector. End Summary.

Greek ODA Trends in the Balkans

14. (U) Since 2001, Greece has expended approximately 656 million euro in ODA assistance in the Balkans (Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Montenegro, Republic of Macedonia, Romania, and Serbia), averaging 80 million euro per year. Greece has given consistent amounts to the region over the past few years, although the most recent and comprehensive figures for Greek aid to the Balkans come from 2006. According to Eleni Zorbala, Deputy Directory General of Hellenic Aid (HA), figures for aid dispersed in fiscal year 2007 are still in draft but should be released in a matter of weeks to the Greek Parliament and subsequently made available for public consumption. HA shared some basic statistics for 2007 with Post, which showed approximately 83 million USD in development aid being disbursed to the Balkans. This is consistent with historical disbursements to the region in the amounts of 82 million USD in 2006, 86 million USD in 2005 and 80 million USD in 2004. Statistics for 2008, however, will not be released until next year.

15. (U) HA reports on Greek development assistance by classifying the funds into four different categories. Based on the preliminary 2007 data, the amount of funding to the Balkans in each category was as follows:

- Technical Cooperation (equipment, training, scholarships): 73 million USD or 88 percent;
- Investments (construction and rehabilitation of works and infrastructure): 8.5 million USD or 10 percent of

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funding;

- Program Aid (budget and balance of payment support): 1 million USD or 1.3 percent; and
- Other Aid (relief and emergency aid): .7 million USD or .6 percent.

Data for previous years show a similar distribution amongst these aid categories.

Delivery of Greeces ODA to the Balkans: HiPERB

16. (U) Virtually all of Greek ODA to the Balkans is distributed through two different mechanisms: Hellenic Aid (HA), Greeces development agency, which resides in the Ministry of Foreign Affairs, and the Hellenic Plan for the Economic Reconstruction of the Balkan (HiPERB), which is managed by a separate unit within the B1 Directorate of the Ministry of Foreign Affairs. HiPERB was created as a separate entity from HA and has a specific legal framework governing its activities (Law No. 2996/2002 on the HiPERB). Therefore, HiPERBs proposal review committee, monitoring committee, and evaluation committee are entirely separate from HA. The only place where HA and HiPERB intersect is in the reporting of ODA (which a large part of HiPERB aid qualifies as) to the OECDs Development Assistance Committee (DAC) and in publicizing the aid efforts of Greece internationally. As currently organized, HA is responsible for relatively little in terms of programming aid in the Balkans. Rather, its primary function seems to be as a liaison between the DAC and the GoG by reporting on Greek ODA delivered in the Balkans. According to HA, HiPERB was created to streamline delivery of Greek development assistance in the Balkans in order to help meet Greeces ODA commitments. HiPERBs aim is to provide aid for productive investments, infrastructure, energy, institutional building and training.

17. (U) Under HiPERB, the Greek government committed 550 million euro to development and construction projects in Albania, Bosnia, Bulgaria, Kosovo, Macedonia, Montenegro, Romania, and Serbia. The GoGs original timeline to

implement the projects under the HiPERB program was 2002-2006, but this was extended to 2011 due to the GoGs extremely slow progress in granting HiPERB funds. According to the most recent data available from HA, current projects approved under HiPERB total only 270 million euro, or 52 percent of total funding. The majority of these funds (227 million euro) have been used to fund public investments or large-scale projects, including road infrastructure, government buildings, hospitals, clinics, a high speed fiber optic network, and upgrading museum facilities. The largest of these public investments envisaged under the program is the Pan-European Corridor X highway that runs from Salzburg to Thessaloniki. HiBERP is contributing a total of 150 million euro to the project: 50 million euro for the 33.2 kilometers of the motorway being built in Macedonia and 100 million euro for 74.6 kilometers through Serbia.

18. (U) By country, Greece has allocated the largest amount of HiBERP funding to Serbia (232.5 million euro), followed by Macedonia (74.8 million euro), Romania (70.4 million euro), Bulgaria (54.2 million euro), and Albania (49.8 million euro). HiBERP funding by sector breaks down as follows: Public Investments (79 percent), Private Production Investments (20 percent), and Small Projects Fund (1 percent). Public Investments consist of large-scale projects as mentioned above. Private Production investments consist of subsidies to and/or projects in the manufacturing and agriculture sectors. The Small Project funds are placed at the disposal of Greek Embassies located in the recipient countries and are intended for small scale technical projects of an urgent nature.

Despite Financial Crisis,
No Change in Aid Strategy

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19. (U) Both HA funds allocated to the Balkans and HiPERB operate on the call-for-proposals system, which relies on potential implementers proposing projects that they would like to do and are applicable to HiPERBs guidelines. According to HA officials, the GoG has not yet determined the level of development aid it will program for the Balkans in 2009, since it is still collecting proposal applications. Decisions will not be made until later in the year.

110. (U) When asked if the GoG will adjust its development strategy in the Balkans to help respond to the current financial crisis, Zorbala said that she was still waiting for project proposals from NGOs and other implementors, and that Hellenic Aid will have to see what the priority countries and projects will be according to these proposals. According to Zorbala, the EU is pushing member countries to increase development aid to Africa, not the Balkans. The comments by Zorbala and others at HA suggest that the GoG currently has no strategy in place of using its development aid to help mitigate the effects of the financial crisis on countries in the region. [Note: Despite criticism by the OECDs DAC, Greece continues to program its assistance through the call-for-proposals system. This method of programming aid is not conducive to strategic long-term, large-scale aid arrangements that help create partnerships with recipient countries by addressing their long-term development needs and priorities and by allowing shifts in programming as country needs/priorities evolve over time. Under this system, HA programs funding based on what implementers want to do, as opposed to against a GoG strategy for what it ultimately would like its assistance to achieve in the region, or in response to worsening economic conditions.

End note.]

Room for Improvement in Greece's
Balkan Development Strategy

¶11. (U) According to the DACs Peer Review of Greece's development assistance strategy, Greece has a long way to go to improve its aid delivery process. Although Greece is one of the smaller and newest members of the DAC, its NATO and EU membership give it clear leadership potential in the Balkans. In addition, Greece has much to contribute from a lessons learned perspective to transitioning countries in the region. But this potential does not come out in Greece's development assistance strategy. Although Greece puts more aid dollars in the Balkans than in any other region, the DAC points out that Greece needs to address its shortcomings in its aid strategy in order to allow for higher impact. The DAC has said that Greece should establish strategic country programs based on partners' own strategies in each priority country (all the Balkan countries are currently listed as priority countries for Greece). Since projects are accepted annually through the call-for-proposals procedure, longer-term and larger-scale projects are unfeasible. (Note: This is probably the reason why HiPERB had problems quickly getting out the door at the start of the program, thus leading to its extension. End note.)

¶12. (U) A longer term strategy by HA would increase aid predictability, build sustainable capacity in and strategic partnerships with recipient countries, and allow for shifts in strategy to better respond to changes on the ground (e.g., the global financial crisis). In addition, the call-for-proposals model tends to have higher transaction costs and presents the risk of a supply-driven approach. Lastly, in 2006 Hellenic Aid had a staff of only 40 employees. A recent visit to their office suggests that Hellenic Aid has not increased its numbers significantly since then. Only one specialist for the Balkans was present at the office and she could not speak with competence about the activities of HiPERB. In addition, she offered little information regarding

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HA's activities in the Balkans. Considering that the Balkans region is a priority for Greece, few human resources seem to be invested there as an indication of Greece's weak strategy in the region.

Development Cooperation under the ECCC

¶13. (U) On a more positive note, development cooperation in the Balkans under the auspices of the U.S.-Greek Economic and Commercial Cooperation Commission (ECCC) is proceeding at a steady pace (see reftel A), and the GoG has indicated a willingness to expand the cooperation to other regions and areas (see reftel B). Under the Energy MOU, USAID and Greece's Center for Renewable Energy Sources (CRES) have already undertaken assessment missions to all countries included under the MOU (Ukraine, Moldova, Croatia, Serbia, Albania, Macedonia, Bosnia, Montenegro, and Georgia) and recently presented an RE/EE stocktaking report for each country, which will help define projects for collaboration within these countries. Under the Tourism MOU, the GoG recently responded positively to the idea of working with the USAID mission in Albania under their recently-signed contract to improve the competitiveness of the Albanian tourism sector. MFA Secretary General for International Economic Relations and Development Cooperation, Theodoros Skylakakis, told the DCM in January meeting (reftel B)

that he would like to expand development cooperation under the ECCC to Africa and small Caribbean Island countries, as well as to the functional areas of the environment and climate change.

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